



# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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4<sup>TH</sup> ANNUAL DELMARVA FREIGHT SUMMIT

# TRANSPORTATION & AGRIBUSINESS

- ✘ Transportation is critical to agribusiness
- ✘ Agriculture is largest user of freight transportation in the United States
  - + More than 30% of all ton-miles is ag-related
  - + Transportation network used by agribusiness
    - ✘ Highway
    - ✘ Rail
    - ✘ Water

# TRANSPORTATION SUPPORTS RURAL AMERICA

- ✘ Agriculture & agribusiness provide solid base for rural communities
  - + Only 1 in 10 jobs—most jobs come from
    - ✘ Services
    - ✘ Government
    - ✘ Retail trade
    - ✘ Wholesale trade
  - + Agribusiness & farming generates much of the economic activity



# TRANSPORTATION SUPPORTS RURAL AMERICA

- ✘ Transportation supports jobs outside agricultural sector
  - + Manufacturing is critical to rural America
    - ✘ Employs 15% of rural workforce
    - ✘ Is much more important to rural areas than metropolitan areas
    - ✘ Transportation is critical for rural areas to maintain
      - ✱ Manufacturing and
      - ✱ Commercial establishments

# RURAL TRANSPORTATION ON DELMARVA

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# RURAL TRANSPORTATION ON DELMARVA

- ✘ 20<sup>th</sup> century saw significant changes in agricultural transportation
  - + Early 20<sup>th</sup> century saw little export of ag products
    - ✘ Mostly subsistence farming
  - + Rapid change occurred in short time frame
    - ✘ In 1921 Delaware Secretary of State Alden Benson reported that:
      - ✘ Marvelous, smooth, hard-surfaced roads...enable farmers to find more profitable markets for their products
  - + Highways opened new markets to farmers

# RURAL TRANSPORTATION

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- ✖ 20<sup>th</sup> century saw significant changes in agricultural transportation
  - + Railroads dominated transportation until after World War II
  - + Trucks began to overtake the rails after the war aided by
    - ✖ Better roads
    - ✖ Better trucks and engines
    - ✖ Refrigerated trailers



# RURAL TRANSPORTATION ON DELMARVA

## ✕ Water transportation

- + Wicomico River has made Salisbury an important shipping point for barge traffic on the peninsula
- + Nanticoke River is vital waterway for barge traffic in and out of Western Sussex County

# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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- ✘ Transportation challenges in agribusiness on Delmarva same challenges facing all U.S. transportation
  - + Current government oversight is fragmented
    - ✘ Each mode regulated by its own agency
  - + Need to view transportation as a system
    - ✘ Agribusiness would benefit by planning & oversight that consider the system as a whole

# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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- ✘ Access to peninsula is limited to small number of access points
  - + Highway bridges (& tunnel combo) across the Chesapeake Bay (2 highway points)
  - + Railroad car float across Chesapeake Bay (1 rail point)
  - + Ferry service across Delaware Bay (1 highway point)
  - + Highway & rail bridges across C & D Canal
    - ✘ 5 highway points
    - ✘ 1 rail point
- ✘ Disruption of any of these access points would create significant transportation & economic hardship



# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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## ✘ Rail service

+ Past 65 years has seen

### ✘ Decline in rail service

- ✘ Railroad shipments nose-dived
- ✘ Agribusiness rail sidings closed
- ✘ Highway picked up much of the slack
- ✘ Infrastructure crumbled

### ✘ And some improvements in recent years

- ✘ Agribusiness rail sidings rebuilt & new ones created
- ✘ Grain and other agribusiness imports to Delmarva move by rail
- ✘ Infrastructure drastically improved
- ✘ Taking some burden off highways

# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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- ✘ First & last movements in agricultural supply chain are by truck
  - + Anything affecting highway transportation has potential to impact other modes
  - + On Delmarva majority of all agricultural transportation is by truck only
- ✘ Two big transportation challenges in agribusiness involve highway transportation
  - + Congestion
  - + Infrastructure

# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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- ✘ Congestion on Delmarva impacted by
  - + Traffic growth in general
  - + Seasonal recreational destinations
- ✘ Both are problems on Delmarva
  - + After slight decline because of economics of “great recession”
    - ✘ Traffic is on the rise
      - ✱ Increases approximately 3% annually
  - + Tourism is recovering from recession also
    - ✘ Leads to seasonal traffic problems



# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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## ✘ Congestion

- + Can cost shippers and carriers additional costs from 50 to 250%

  - ✘ Costs usually passed to consumer

  - ✘ Increased costs sometimes lead to loss of business

## ✘ Congestion costs everyone – not just agribusiness

# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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- ✘ Infrastructure - highway infrastructure is decaying
  - + Lack of funding
    - ✘ Issues with federal highway trust fund
    - ✘ Issues with state(s) highway trust funds
- ✘ Concerns
  - + In 2000 U.S. transportation system was 2<sup>nd</sup> to none
  - + By 2020 China will have system equal to U.S.
  - + Decaying U.S. infrastructure could lead to U.S. system becoming 2<sup>nd</sup> rate

# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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## ✖ Delaware infrastructure

- + 16% of Delaware's major roads are in poor condition
- + 20% of Delaware's bridges are structurally deficient or obsolete
- + 34% of major urban highways are congested
  - ✖ Seasonal congestion in resort areas



# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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## ✘ Maryland infrastructure

- + 21% of major roads have pavement rated in poor condition
- + 41% of major state maintained roads have deficient pavement
- + 25% of state maintained bridges are rated as structurally deficient or functionally obsolete
- + Congestion is a major problem on the western shore and a major seasonal problem on the eastern shore

# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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- ✘ Funding of surface transportation system creates jobs
  - + Boosts in short-term by creating construction and construction-related jobs
  - + In long-term highway improvements
    - ✘ Enhance economic competitiveness
    - ✘ Reduce travel delays & transportation costs
    - ✘ Stimulate job growth
  - + FHWA estimates each dollar spent on infrastructure improvements returns \$5.20 in benefits

# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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## ✘ Improving infrastructure

### + Saves lives

- ✘ Road conditions are a significant factor in 1/3 of traffic fatalities

### + Eases congestion

### + Reduces vehicle maintenance costs

### + Improves quality of life for everyone



# SOLUTIONS TO TRANSPORTATION ISSUES

- ✘ Holistic approach to transportation
  - + Look at U.S. transportation as single interlocking system
    - ✘ Current oversight treats it as separate & disparate
  - + Improve intermodal choke points
    - ✘ Market is currently making improvements on its own
    - ✘ Better cooperation between modes
  - + IMPROVE INFRASTRUCTURE!
    - ✘ Continue to evolve, not devolve, United States transportation system

# SOLUTIONS TO TRANSPORTATION ISSUES

✖ Thank you for your time & attention!

# TRANSPORTATION CHALLENGES IN AGRIBUSINESS

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